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PROVISIONAL INTELLIGENCE REPORT

ECONOMIC ORGANIZATION OF CZECHOSLOVAKIA

CIA/RR PR-21

(ORR Project 23-51-I)

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ECONOMIC ORGANIZATION OF CZECHOSLOVAKIA\*

Summary

The central controlling body in Czechoslovakia is the Central Committee of the Communist Party, which is divided into two secretariats, the Politburo and Orgburo. Under the Orgburo is the Economic Department of the Central Committee, and it is this department which gives impetus to all desired economic developments.

Members of the Central Committee occupy key government positions which enable them to implement the decisions of the Communist Party. Thus the plans of the Economic Department of the Central Committee appear as plans of the government Central Planning Board. Under the Central Planning Board is the State Planning Office which is responsible for the translation of policy decisions of the Central Planning Board into directives for carrying out the policy and for preparing estimates of the productive capacity of the Czechoslovak economy. Annual estimates are made under a Five Year Plan, and quarterly estimates are submitted for each current year. When economic objectives have been coordinated, particularly with the planning authorities in Moscow, the annual National Plan is presented to the National Assembly, where it is passed into law without change.

Czechoslovak production is managed through 15 ministries, which are coordinated through the Council of Ministers. These ministries are generally divided into several Principal Administrations, each of which controls a number of national enterprises or combines. The national enterprises may operate a number of factories or mines, and the factories, too, may have subsidiary plants. For Slovakia, an Area Directorate is usually interposed between national enterprises and the Principal Administrations.

The industrial ministries do not have sole responsibility for the industries under their jurisdiction because of limitations to their authority. Representatives of the State Planning Office and of the Ministry of State Control, Soviet advisers, and Party Cadre groups may all interfere in the operation of a plant. The problem of coordination under these conditions is complicated and difficult. Managers of plants, consequently, cannot expect and demand full

\* This report contains information available to CIA as of 1 July 1952, and does not include certain personnel changes made in August.

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loyalty and obedience from their workers.

Centralized planning, however, represents a major element of strength in the Czechoslovak economy. There exist, on the other hand, many elements of weakness, including the arbitrary modification of plans by the USSR which increases the imbalances in the Czechoslovak economy, the overemphasis on plan fulfillment, and a growing tendency toward expanding administrative hierarchies. At the present time, however, the factors of strength seem to outweigh the elements of weakness.

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I. Introduction.

The purpose of this report is to determine the nature of the economic structure of the Czechoslovak economy, to ascertain the effectiveness of this structure as a tool of management, and to determine the degree of Soviet penetration in and control over this organizational structure.

Information on the subject is sporadic and spotty. Many documents cover practically the same small segment of the economy, leaving very thin coverage in other areas. In some instances it was necessary to draw inferences from known practices in other organizational units in Czechoslovakia or similar administrative organs in other Satellites.

The report is arranged in accordance with the progress of the study which began with an investigation of the function of the Communist Party and carried through the planning process to the production ministries and the control apparatus established by the Soviet Union. Because of the lack of information, only 10 economic ministries and the Central Planning Board are covered, leaving 5 economic ministries and 10 other ministries for a subsequent report.

II. Role of the Communist Party.

1. Domination of the National Assembly.

The Communist Party of Czechoslovakia dominates the Czechoslovak National Assembly through the deputies who are Communists and who owe their positions to the Party. The election of a few non-Communists appears to be permitted for window dressing. The National Assembly

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seldom meets, and when it does it usually is for the purpose of observing or celebrating a national event. It does approve the National Plan annually, but this is a formality, since any opposition to Communist Party measures is not permitted. 1/\*

2. Domination of Government Officials.

Although legally accountable to the National Assembly, the Prime Minister, Deputy Prime Ministers, Ministers, and State Secretaries are appointed and recalled by the President. 2/ President Klement Gottwald is also the Chairman of the Central Committee of the Communist Party. Before making ministerial appointments he is presumed to confer with the Secretary of the Cadre Department of the Central Committee and others on the Central Committee, and according to some reports he receives some orders from the Soviet Ambassador in Prague. 3/ In addition, Gottwald has a number of Soviet advisers. 4/

The Presidium of the Central Committee of the Communist Party makes general economic policy decisions which are generally adopted by the Czechoslovak government. For example, the Presidium of the Central Committee, after investigating the problems of the Ostrava-Karvinna coal basin recommended that the Government of the Czechoslovak Republic take certain measures to improve the organization of production. It proposed wage, salary, and bonus changes in specific amounts. On the same day the Council of Ministers met and approved the proposal. 5/ About a month later the same procedure was followed with regard to the iron and steel industry. 6/ In this case the government's orders followed the recommendations of the Presidium of the Central Committee so closely that they even included orders to Communist Party branches. 7/

3. Function of the Central Committee.

The Central Committee of the Czechoslovak Communist Party is divided between a political secretariat (Politburo) and an organizational secretariat (Orgburo). Within the Politburo\*\* there is effected a fusion of the government and the Communist Party, so that

\* Footnote references in arabic numerals are to sources listed in Appendix C.

\*\* The Politburo is made up of nine persons, as follows: President Gottwald, Prime Minister Antonin Zapotocky, Deputy Prime Minister Jaromir Dolansky, Minister of Security Karol Bacilek, Minister of National Defense Alexej Cepicka, Minister of Foreign Affairs Viliam Siroky, Minister of Information Vaglav Kopecky, Czechoslovak Cominform Representative Pexa, and Antonin Novotny. 8/

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the Politburo acts as a policy committee of the government. The Politburo is charged with the responsibility of carrying out Communist Party policies on a daily basis, and the government officials who are members use their positions to carry out these policies. The Orgburo consists of the Prime Minister and six secretaries, 9/ each of whom is in charge of a department of the Central Committee. Effective with the reorganization in September 1951, these six departments are responsible to the Central Committee, but are coordinated by the Orgburo. The departments carry on the business of the country. The ministers, as well as members of parliament, are ordered to report to one or more of these departments, where decisions are made and orders given. Here the program of the government is mapped out, cabinet decrees promulgated, parliament sessions planned, indictments, court trials, and even decisions prepared; directives are issued for the press and radio, and regulations are formulated for the armed forces, security police, and other government security agencies. In fact the decisions cover everything from matters concerning the President to those affecting single Party members in the lowest category. 10/

The Economic Department of the Communist Party Central Committee has close liaison with the State Planning Office, and the economic ministries. Checks are maintained on the State Planning Office in order to be assured that Party policies and objectives are pursued and, if necessary, directives are issued through the Central Committee. This department gives impetus to all desired economic developments, 11/ even sending instructions to industrial managements. Counterparts of the Economic Department in the Regional and District Party committees check on the fulfillment of plans in their areas and review plans for investments in their areas to ascertain whether they are in accord with Party policies. 12/

The Cadre Department of the Communist Party Central Committee has its counterparts also in the lower echelons of the Party organization as well as all through the economic structure. Party Cadre representatives are found in the ministries, in the production directorates, and in the personnel offices of enterprises, factories, and plants. The Party Cadre representative is called a referent whose function is to keep a political history of each person in the organization in order to determine who is politically reliable. Referents have a voice in the selection of personnel by indicating those who are dispensable. 13/

The effect of the Party Cadre has generally been to favor the promotion of Communists, thereby frequently preventing the selection of

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efficient personnel.

4. Control Commission.

The Communist Party Control Commission has the right to issue reprimands and warnings, to recall members from Party or government functions, and to expel members from the Party temporarily. This Commission may suggest or even demand the recall of a Party member from any position in the State economic apparatus. 14/ While these functions are negative in character, they serve to prevent deviations from policies of the Communist Party on the part of ministers of other State functionaries.

5. Regional and District Organization.

There were 19 Communist Party Regions and 238 Communist Party Districts in Czechoslovakia in 1949. 15/ The Regional and District Party organizations have rather limited economic functions other than forming administrative links between the Central Committee of the Communist Party and the local Party units. Large construction projects, and important economic operations may be checked by these organizations directly rather than through the local units. Review of investment and construction plans in the areas of their jurisdiction also falls to these echelons of the Party organization.

III. Planning Concept.

Economic planning after World War II developed haphazardly in a rapidly changing situation in Czechoslovakia. An Economic Council was first set up by presidential decree on 25 August 1945, composed mainly of cabinet ministers dealing in economic matters. The Economic Council was expected to formulate economic policy for the consideration of the cabinet. A Secretariat of the Economic Council headed by a General Secretary was also established to assist the Economic Council. 16/

In November 1945, the Economic Council and its Secretariat began to function, and on 3 December 1945, an Economic Planning Office was created to assist the Economic Council with the technical details of planning. However, the Council never developed into a viable institution, and by the middle of 1946 it was discontinued. The Secretariat of the Economic Council and the Economic Planning Office were continued. At about the same time that the Economic Council expired, a State Planning Commission was established with the support of all the political parties from which it drew its powers. It was composed of 16 members, 13 of whom were economic experts--the Prime Minister,



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the Chairman of the Economic Planning Office, and the General Secretary of the former Economic Council.

The State Planning Commission began to function by requesting economic data and suggestions from the Economic Planning Office, the Secretariat of the Economic Council, and the planning sections of various ministries. In addition, it set up its own committees for industry, transport, agriculture, labor, and other sectors of the economy.

The Economic Planning Act of 22 February 1949 was passed by the Czechoslovak government in order to bring order into the planning function and to eliminate the duplication of effort and jurisdictional disputes which had developed between the three planning agencies. The State Planning Commission was replaced by the Central Planning Board. The Secretariat of the Economic Council and the Economic Planning Office were superseded by a State Planning Office. 17/ For a tentative chart of the top level Czechoslovak planning organization, see Figure 1. \*

1. Central Planning Board.

a. Structure.

The organizational set-up defined in the Economic Planning Act of 22 February 1949 has apparently remained in effect to the present time. In general terms, the Central Planning Board acts as an advisory body, formulates policies for planning, and assists in the management of the State Planning Office. It is composed of 16 members, including 8 top officials of the State Planning Office, a representative of the Economic Department of the Central Committee of the Communist Party, the President's economic counsellor, a representative of the USSR Council of Economic Mutual Assistance, and 5 others. In 1949 the members of the Central Planning Board were listed as Jaromir Dolansky, chairman, Eduard Outrata, Josef Pucik, Jaroslav Fukatko, Antonin Volavka, Josef Goldmann, Julius Branek, Ludvik Frejka, Milan Reiman, Jaromir Berak, Josef Stanek, K. Polacek, V. Hulinsky, J. Zivotsky, F. Sova, and J. Mozola. 18/

b. Liaison Channels.

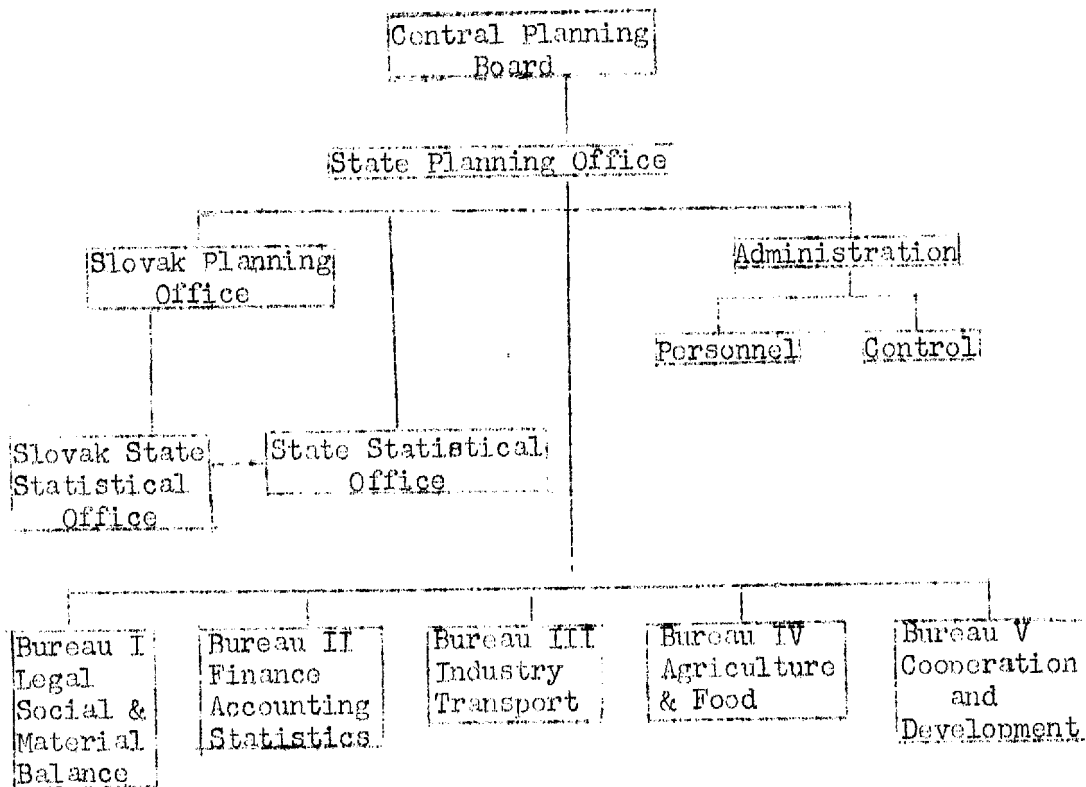
The maintenance of liaison channels has received careful consideration in Czechoslovak planning. This is indicated by the fact

\* Figure 1 follows on p. 7.

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Figure 1

Tentative Chart of Top Level Czechoslovak  
Planning Organization 19/



that the members of the Central Planning Board are also represented on other administrative bodies which have an interest in Czechoslovak Planning. Thus Josef Goldmann, the Deputy Chairman of the Central Planning Board, is also a member of the permanent Secretariat of the CEMA and Ludvik Frejka is also Secretary of the Economic Department of the Central Committee of the Communist Party. Liaison is maintained with the other ministries through their respective planning groups or specialists.

c. Soviet Control of Central Planning Board.

The USSR is assured of control over Czechoslovak planning

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policies not only through the placement of acceptable Communists on the Central Planning Board but also through various pressure techniques applied to members of the cabinet, as well as to the leaders of the Czechoslovak Communist Party and to the planning organs of the other Satellites; 20/ In consequence of the numerous Soviet controls over the Czechoslovak policies, the Central Planning Board has become a tool of the planning agencies of the USSR.

2. State Planning Office.

a. Structure.

At the time of establishment, the State Planning Office absorbed the existing planning agencies or their functional subsidiaries such as the Economic Planning Office, the Statistical Office, and the Price Control Office. At the same time a Slovak Planning Office was set up for Slovakia as a subsidiary of the State Planning Office. 21/ This Slovak Office, however, was made part of the main office in Prague in September 1951.

The State Planning Office is divided into five bureaus, each headed by a deputy minister. In addition, there are the usual administrative staff units, such as the Personnel Department and the Control Department.

Each bureau has a number of departments, and the departments have two types of subsidiary sections: those located in the State Planning Office, and liaison sections attached to other units of the government. The liaison sections are found in all of the other ministries and the planning departments of each ministry are responsible to their respective ministries for carrying out the planning directives of the State Planning Office. Liaison sections are also found in Regional and District government offices, and in the Czechoslovak embassies in Moscow and even in other Satellite capitals. The Moscow section is a large office headed by a former employee of the Bata shoe works in Zlin (Gottwaldov). Smaller Czechoslovak planning offices have recently been opened in Poland, Hungary, and Rumania. These liaison planning sections in the various Czechoslovak embassies are functionally responsible to the State Planning Office in Prague, but administratively are part of the Ministry of Foreign Affairs and are accorded diplomatic immunity. 22/

b. Functions.

The major functions of the State Planning Office are the

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translation of policy decisions of the Central Planning Board into directives and orders for the implementation of policy and the preparation of estimates of the productive capacity of the Czechoslovak economy. In addition, the office is responsible for the checking of Plan fulfillment. For this latter purpose, all economic units in the various ministries are directed to cooperate with the State Planning Office and are required to supply promptly any information which may be requested. 23/

c. Determination of Plan Objectives.

The preparation of production estimates is accomplished by what is referred to as "counter planning" on the part of the individual plants. Counter planning consists of submission of estimates of maximum possible output. There are annual estimates under a Five Year Plan and quarterly estimates for the current year. These estimates are supported by annexes showing the requirements for labor, material resources, power, investment, and maintenance.

The estimates of capacity output are projected forward statistically in accordance with national objectives and policies. For example, the policy of stressing the development of heavy industry required an increase in plant production beyond current capacity in that sector. Needed inputs were shifted to the heavy industry investment account from light industry which revised downward the investment program for light industry and reduced its maintenance allowance below attrition rates. 24/ The resultant plans differed considerably from the original capacity estimates and reflected policy directives. 25/

For planning purposes, economic activities are divided into the general categories of production, services, administration, and security. 26/ The production category is further divided into agriculture, industry, construction, and transportation. Industrial production is further divided into heavy engineering, general engineering, light industry, chemicals, forest and wood, food processing, metals and ores, and fuel and power. The services and the administrative and security categories are also broken down into appropriate subdivisions.

d. The "Plan" Law.

After economic objectives have been determined and properly coordinated, particularly with the planning authorities in Moscow, the National Plan is presented to the National Assembly and passed into

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law without change. This law establishes over-all production and investment targets and becomes the basis for the allocation of materials, labor, investments, and supplies.

Annual plans are developed on the basis of the Five Year Plan, but the goals are altered to meet changing conditions. 27/ For example, changes were made in the 1952 Plan for heavy industry in response to Soviet demands. The 1952 Plan also reflected increases in production for purposes of export, as well as anticipated declines in imports from the West. The annual plans not only establish yearly targets, but present quantitative data on a quarterly basis for the purpose of establishing bench marks against which the rate of current production can be checked. Thus the planning process established both a goal and a means for driving the productive economic machine toward greater achievement.

IV. Organization of Economic Ministries.

The administrative structure established to direct and control the industrial sector of the Czechoslovak economy passed through a series of changes and reorganizations. 28/ The original Ministry of Industry, set up when the Communists gained control, shared the responsibility for maintaining the Czechoslovak economy with the Ministries of Agriculture, Food, and Construction. This arrangement continued for almost 2 1/2 years while the planning procedures were being developed. During the fall of 1949, however, the Ministry of Industry was reorganized in order to strengthen and improve its control over industrial production. Four directorates were set up corresponding to the major product classifications: (1) the Directorate of Mining, Power, and Chemicals; (2) the Directorate of Foundries and Metal; (3) the Directorate of Textiles, Leather, and Rubber; and (4) the Directorate of Timber, Paper, Glass, and Ceramics. 29/ The usual staff departments were continued. The actual supervision and control of the industrial plants were effected through enormous combines organized horizontally on an industry-wide basis. This revised organizational structure continued for little more than a year, from late 1949 to the end of 1950.

The development of greater controls over Czechoslovak industry set the stage for further changes in the administrative machinery. The Ministry of Industry was divided into two separate ministries, the Ministry of Heavy Industry and the Ministry of Light Industry. 30/

On 7 September 1951, a further major reorganization was effected dividing the Ministry of Heavy Industry into five new ministries: the Ministry of Heavy Engineering, the Ministry of General Engineering,

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the Ministry of Fuel and Power, the Ministry of Metals and Ores, and the Ministry of the Chemical Industry. In general, this change represented largely the elevation of several directorates to the status of full ministries. 31/

1. Ministry of Heavy Engineering.

The Ministry of Heavy Engineering has jurisdiction over the production of such heavy machinery as dredges, mining plants, plants for iron and steel furnaces, cable-making plants, bridge construction, shipbuilding, cranes, conveyors, steam engines, compressors, boilers, locomotives, railway cars, sugar factories, distilleries and breweries, mills, agricultural machines, heavy combustion engines, foundry plants, coke plants, generators, gas works, water and gas turbines, hydro-generators, and centrifugal machinery. 32/ Thus, the Ministry performs the function of a supervisory board which directs a series of related production enterprises. It also coordinates the production-planning of the various enterprises with the general plans and orders laid down for this sector of the economy. It formulates production policies within the scope of the plan, but does not initiate policies. It has some influence on the establishment of planned targets and policies through the appraisal submitted on the feasibility of the plans and the capabilities to produce the kinds and quantities of goods called for in the plans.

a. Structure.

Directly under the Ministry of Heavy Engineering are several Principal Administrations, 33/ the exact number of which has not been reported. These Principal Administrations take the form of government bureaus, each of which is in control of a national enterprise or combine. In addition, there are various staff groups, the details of which are also unknown, but it may be assumed that they cover the functions generally assigned to control, planning, housekeeping, and research. A special Area Directorate for Slovakia is a part of one of the Principal Administrations, and forms an extra link in the chain of command for Slovak plants. For the tentative structure of the Ministry of Heavy Engineering in January 1952 see Figure 2.\*

The names of the enterprises or combines which are under the jurisdiction of the Ministry of Heavy Engineering have not been reported. However, it is probable that most of the same enterprises which were under the jurisdiction of the Czechoslovak Heavy Mechanical Engineering Plants National Corporation are now under the jurisdiction of the Heavy Engineering.

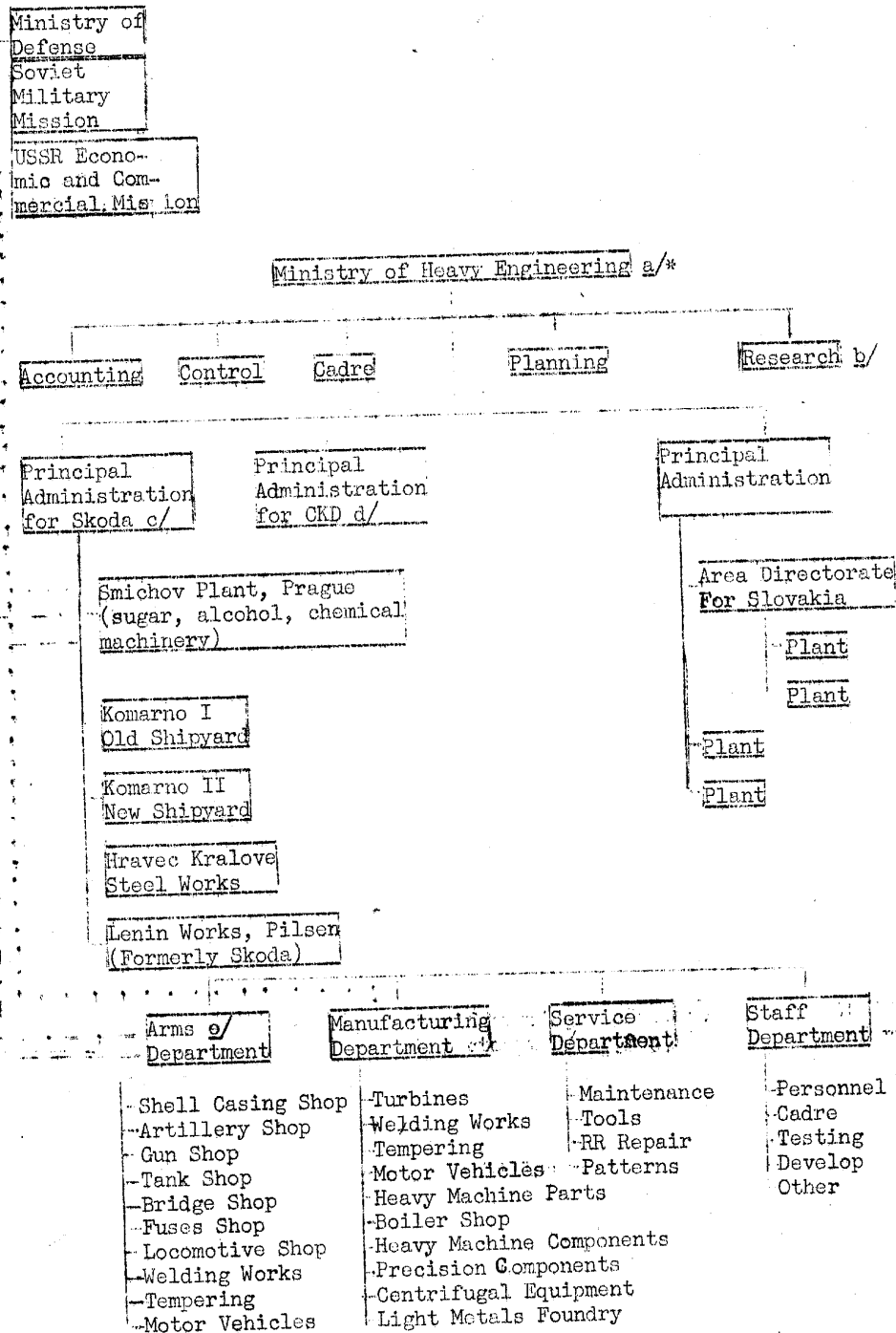
b. Administrative Problems.

The authority of the Minister of Heavy Engineering is

\* Figure 2 follows on p. 12.

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Figure 2

Tentative Structure of the Ministry  
of Heavy Engineering

\* Footnotes for Figure 2 follow on p. 12a, p. 12b.

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- a. The extent of jurisdiction and control exercised by the USSR missions and the Ministry of Defense varies considerably between administrations, and between plants or parts of plants.
- b. Various other service and staff functions may also be assumed to exist, but are not shown here for convenience in drawing. 34/
- c. This level is variously reported "Principal Administration," "Administrative Department" and "Principal Directorate."
- d. Cesko Kolben Danek.
- e. A trend toward increasing the jurisdiction of the Arms Department has been evident, and some recent reports indicate that the manufacturing department has been completely absorbed into the arms department at this plant. 35/

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hedged about in a number of ways. The Minister must accept the general production targets established by the State Planning Office. He may point out current capabilities for fulfilling plans, needed investments, and so forth, but he has no veto power over final plans.

Control over the manner in which the Minister executes his responsibilities is maintained by the Ministry of State Control. Checks are made on whether regulations, laws, and orders are followed out and on how funds are spent and how materials are allocated. In addition, the Presidium of the Communist Party may issue orders directly to the Minister of Heavy Engineering, specifying in detail what actions are expected of him. 36/ The jurisdiction of the Minister of Heavy Engineering is subject also to the directives of the Soviet Military Mission which maintains control over plants or parts of plants producing items for Soviet military use. Similarly, plants producing items for the Czechoslovak Ministry of Defense may be removed from the jurisdiction of the Ministry. For example, on 10 August 1951 the entire management and control of a plant of the Skoda combine was taken over by Soviet experts. In other cases, as at the Electromotor Plant at Moravska Ostrava, a Soviet advisory commission was installed at the production level consisting of 8 Soviet officers, 11 engineers, 21 skilled workers, and 19 political advisers. 37/ These advisers may have been from either the Soviet Military Mission or the Soviet Economic and Commercial Mission.

The Ministry has little control over wage policies and recruitment of workers, since the Wages Commission, the Trade Unions, and the Ministry of Manpower have been given jurisdiction over these matters. The factory committees of the Communist Party, Communist Trade Union committees, and the Communist Party Cadre committees, all function to limit the manager in various ways. The factory committee may recommend the removal of the manager, and the recommendation is frequently carried out. The Communist Trade Union committees have responsibilities for the training of workers, which restrict the managers' administrative control. The Cadre committees can determine who is to be purged, who is to be transferred, or who is to be given a promotion, thus limiting the managers' authority. Factory units of the Party also play a part in plant security through workers' militias. Party Trade Unionists have responsibility for explaining and enforcing Party and government decisions, for developing creative initiative, and for assisting in the training of apprentices. 38/

c. Personnel.

Gustav Kliment was appointed Minister of Heavy Engineering on 7 September 1951 when the new Ministry was set up. Previously,

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he had been Minister of Heavy Industry and before that the Minister of Industry. The successive appointments may represent downgrading, but they are not necessarily indications of disfavor. Most likely they result from a combination of developing circumstances, certain production failures, and perhaps the preference of Kliment himself. Reportedly, when Kliment was offered the Ministry of Industry in 1948, he at first declined. 39/ During the past 4 years he has carried out the responsibilities of the larger ministries, although each year there have been failures in meeting Plan targets. Nevertheless, his work has not been denounced by his Communist and Soviet mentors. Other than the name of the minister, the personnel roster comprising the Ministry of Heavy Engineering has not yet been reported.

2. Ministry of General Engineering.

The creation of the Ministry of General Engineering grew out of the reorganization of 7 September 1951. This reorganization reflected the increased emphasis currently placed on those sectors of the economy controlled by the new ministries. To a large extent, therefore, the reorganization may be interpreted as an evolutionary process of administrative development coupled with an awareness of the changing importance in production areas of various economic sectors.

The jurisdiction of the Ministry of General Engineering is not completely known. Apparently this ministry took over the national corporations or general managements for vehicle production, light and precision machinery, and electrical equipment. These corporations had jurisdiction over the production of such items as metalworking machines, woodworking machines, ammunition machines, screw machines, presses, turning lathes, optical instruments, aiming devices, typewriters, calculating machines, printing presses, motor vehicles, bicycles, tractors, aircraft, electric motors, transformers, dynamos, power station equipment, welding apparatus, radios, transmitters, phonographs, telephones, telegraph equipment, medical apparatus, safety devices for mines and ships, airports, roads and railways, electrical control and measuring instruments, and batteries. 40/

Although the names of the major plants and combines which are under the jurisdiction of the Ministry of General Engineering have not been reported, it is probable that this ministry has jurisdiction over most of the same major plants and combines which were under the jurisdiction of the Czechoslovak Precision Engineering Plants National Corporation, the Czechoslovak Motor Car and Aviation Works National Corporation, and the Czechoslovak Light Metal Working National Corporation. 41/

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a. Structure.

The Ministry of General Engineering is believed to consist of three Principal Administrations, one for light and precision machinery, one for automotive vehicles, and one for electrical equipment. A special directorate was set up for Slovakia to cover the Principal Administrations established in this area, and forms an extra link in the chain of command for Slovakian plants. The Principal Administrations have direct control over the managers of the individual concerns subordinate to them.

The minister is assisted by a variety of staffs, such as a finance staff, a legal staff, a planning staff, a Party Cadre staff, a control staff, and technical research staffs, which advise and perform functions of liaison with the State Planning Office, the Communist Party, offices to which the product is delivered, and offices from which supplies and labor are procured.

b. Personnel.

Josef Jonas was appointed Minister of General Engineering at the time of the ministerial reorganization in September 1951. 42/ Jonas' background indicates that he has been a devoted Communist for many years and that he has a good deal of managerial ability and experience as a government bureaucrat. At the beginning of World War II, Jonas was arrested for his political activity. He was imprisoned in various concentration camps, including Dachau and Buchenwald. Even in the concentration camps, Jonas continued political activity.

From May 1945, when he was released from a concentration camp, Jonas was employed in the Secretariat of the Central Committee of the Communist Party. In 1947, he was named manager of Rude Pravo. When the Svoboda publishing house was merged with Rude Pravo, Jonas became the enterprise manager. In November 1949, he became Deputy Minister of Foreign Trade, the post he held in 1950 when he was appointed Minister of Light Industry.

3. Ministry of Light Industry.

During the reorganization of the Czechoslovak production ministries in September 1951, the Ministry of Light Industry lost jurisdiction over precision machinery, wood processing, and paper and cellulose manufacturers. It apparently retained jurisdiction over metal consumers' goods, ceramics not under the construction industry, textiles, leather, and rubber goods.

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a. Structure.

It is believed that the four general directorates abolished in September 1951 (Czechoslovak General Metal Products Works, Czechoslovak Textile Works, Czechoslovak Leather and Rubber Works, and Czechoslovak Glass Works) are now the direct responsibility of the Ministry of Light Industry. 43/ The General Directorate for Textiles, Leather, and Rubber Works in Slovakia which was abolished at that time is believed to be under the jurisdiction of the Slovak section of the Ministry. Apparently, the Ministry is divided into Czechoslovak and Slovak sections.

It is known that the Ministry of Light Industry handles some war orders for civilian type of military goods such as shoes which are delivered to the USSR. 44/

b. Personnel.

Alois Malek, the Minister of Light Industry, is a member of a worker's family and was employed in the clothing industry during his youth. He was one of the founders of the Communist Party of Slovakia.

In 1926, Malek went to the USSR and became a member of the Communist Party in that country. In 1939, he became a plant director in the USSR. During the war he was the director of an enterprise which worked for the Soviet Army. While in the USSR he was graduated from an industrial academy and from the Political Academy, and was an official in the Kirgiz SSR. He was awarded the Order of the Red Star for his work.

After the war Malek returned to Czechoslovakia and was put in charge of the textile plant at Slavonice. Later he became General Director of the Czechoslovakian Textile Industry, and on 7 September 1951 he was appointed Minister of Light Industry. 45/ Malek obviously is a Soviet national by adoption, and his birth in Czechoslovakia is only a thin camouflage for Soviet control of Czechoslovak Light Industry. The commissioner of the Slovak section of the Ministry is Samo Taac. 46/

4. Ministry of Fuel and Power.

The Ministry of Fuel and Power is responsible for the mining of coal. Hard coal is mined mainly in the areas of Ostrava, Kladno, and Pilsen. Brown coal and lignite are mined in northern, western,

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and southern Bohemia, western Slovakia, and southern Moravia. This Ministry is also responsible for gas, briquetting, electricity, and oil production. The former Czechoslovak Power Works controlled the electric light and power system and the gasworks with an extensive grid distribution network. Steam-driven power plants account for about 85 percent of the generating capacity, and hydroelectric plants for the remaining 15 percent. Oil production approximates 50,000 metric tons annually, and synthetic production from coal about 200,000 metric tons. A synthetic plant located at Most has a planned capacity of about 600,000 metric tons. 47/

a. Structure.

Although little information is available on the structure of the Ministry of Fuel and Power, it is known that jurisdiction was retained over the former Central Management for Mining and the Central Management for Power. In addition, there are the usual staff agencies dealing with personnel, finance, planning, legal, research, and the Party Cadre groups.

b. Personnel.

Vaclav Pokorny, formerly responsible for ore mines and petroleum installations, was appointed Minister of Fuel and Power in September 1951. 48/ He is a former miner and an active member of the Communist Party. After the war he went to Usti nad Labem and became a member of the Local National Committee. In 1948 he became Secretary of the Hostovice nad Bilibou Communist Party Committee, then chairman of the Regional Party committee, and soon was elected to the National Assembly, which position he still holds. In 1950 he held the position of technical chief of production of the Syntex Chemical Combine and director of the plants of the former Fistag and Calcium Corporations. He was appointed director of ore mines and petroleum installations 49/ in January 1951 and in September was given the assignment of Minister of Fuel and Powers.

5. Ministry of Metals and Ores.

a. Structure.

The Ministry of Metals and Ores took over the jurisdiction of the former Central Management for Iron and Nonferrous Metal. Its major responsibility is the mining of iron ores and the production of pig iron and crude steel. It also is responsible for the scrap metal collection companies. 50/ It does not have control of :

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the Uranium mines.

b. Personnel.

Jan Bilek, former director of the V.M. Molotov Ironworks in Trinec, was appointed Minister of Metals and Ores when the Ministry was set up. 51/ In his youth he worked in the metal rolling mills. He joined the Communist Party as soon as it was formed in 1921 and kept constantly active in it. After the war Bilek was first a District Party committee chairman, then a Party Regional chairman, and finally he was elected to the Central Committee of the Communist Party. Bilek became manager of the Bohumin Steel Works shortly after the war and later was made the director of the V.M. Molotov Ironworks.

6. Ministry of the Chemical Industry.

Apparently the new Ministry of the Chemical Industry took over the jurisdiction of the General Management of the Czechoslovak Chemical Enterprises, which was abolished. 52/ This agency had been responsible for the supervision of the national corporations producing chemical products.

a. Structure.

The former organization of the General Management of Czechoslovak Chemical Enterprises gives the best available clues to the probable organization of the present Ministry of the Chemical Industry. 53/ This agency had the following staff organizations: presidium, Party Cadre, security, planning, personnel, price control, legal, accounting, economic, and documentation. In addition there were the following bureaus: heavy inorganic, heavy organic, pharmacy, plastics, and tannery-textile by-products. For each of these bureaus there were departments for production, supply, sales, outside service, "norming," quality, and research. The general outline of the organizational structure of the Ministry of the Chemical Industry is illustrated in Figure 3.\*

b. Personnel.

The present Minister of the Chemical Industry is Otto Simunek, who was appointed in December when Josef Pucik who held that position was made Minister of State Planning. Otto Simunek was formerly

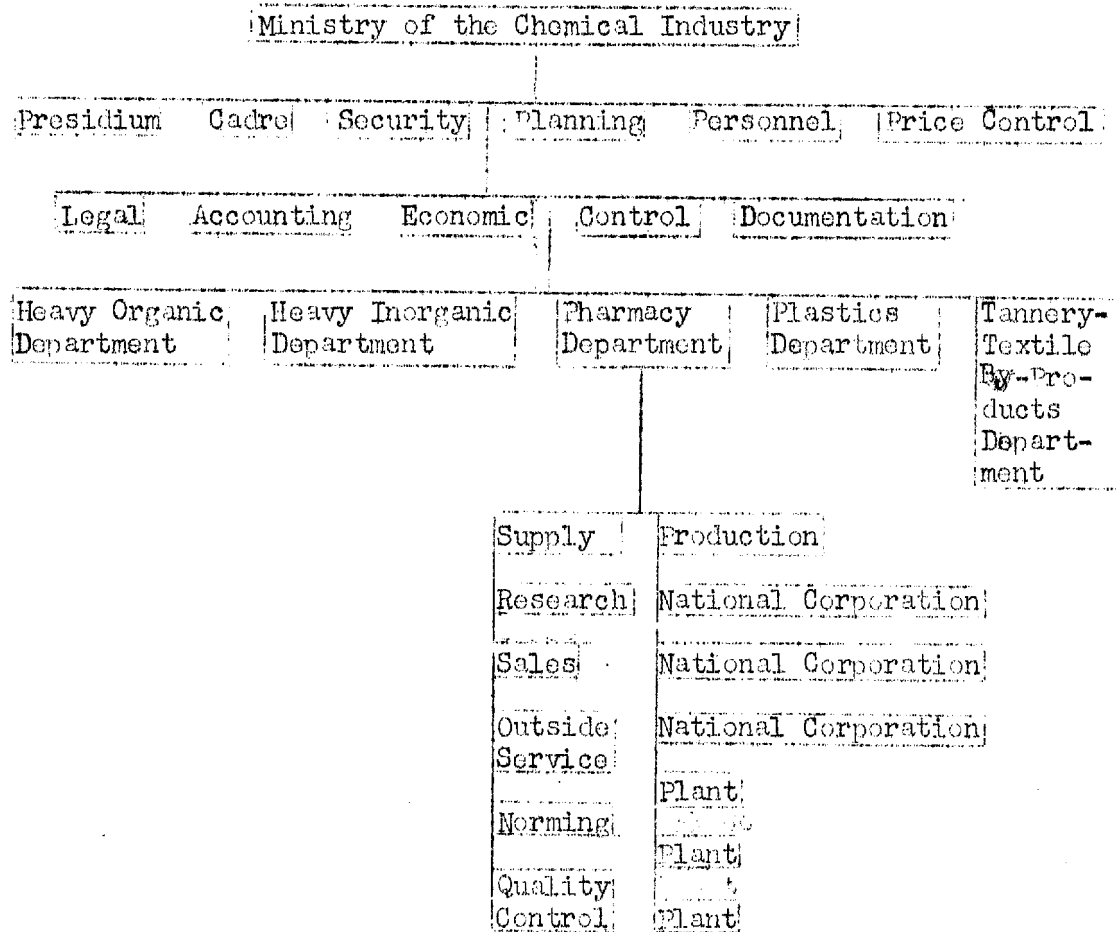
\* Figure 3 follows on p. 19.

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Figure 3

Structure of the Ministry of the Chemical Industry



a Deputy Minister of the Chemical Industry. Simunek had been working at secondary levels of government administration since the time of the Communist coup in 1948. In 1949, he was made a Deputy Minister of Food. He has not been among the top officials, and has never been reported to have taken part in public functions.

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1974 Ministry of Forest and Wood Industries.

The announcement of the creation of the Ministry of Forest and Wood Industries in September 1951, indicated that it would take over the administration of the forests from the Ministry of Agriculture as well as those responsibilities of the Ministry of Light Industry which were concerned with the wood industry. The stated purposes of the new Ministry were to preserve the forests and to develop the wood industry. 54/

Apparently the Czechoslovakian State Forest National Corporation was taken over intact with the Forestry Division from the Ministry of Agriculture. This national corporation is the owner of the major forests and woods in the country, since all privately owned forests over 60 square hectares come under its jurisdiction. Wood lots of less than 60 square hectares generally are under the administration of local agricultural collectives. In the frontier area, the frontier guards have authority to restrict the logging of forests for security reasons. 55/

a. Structure.

The organization of the Central Management of Wood Processing which was also taken over by this Ministry has never been reported. It is known that General Directorates called Czechoslovak Woodworking Works, Czechoslovak Paper and Cellulose Works, and Woodworking Works in Slovakia, and Cellulose and Paper Works in Slovakia were abolished effective 30 September and their functions taken over by the new Ministry for Forest and Wood Industries. 56/ From this information it might be assumed that the former Central Management had the four general directorates listed above under its jurisdiction. Further it seems likely that the new organization reflects these four groupings.

b. Personnel.

Marek Smida, who had been Director General of State Forests for about a year, was appointed Minister of Forests and Wood Industries at the time the Ministry was set up. He was a former laborer in the lumber industry and in 1929 became a member of the Communist Party. He was imprisoned for 2 years before World War II, and during the war he was active in partisan activities. He participated in the Slovak parliament and held several positions, including membership on the Central Committee of the Slovak Communist Party since May 1950. He also held various public jobs in economic affairs, but none of top rank until his present appointment. 57/

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8. Ministry of the Construction Industry.

The Ministry of the Construction Industry took over most of the functions of the former Ministry of Technology, the construction portion of which was called the Czechoslovakian Building Association (Ceskoslovenske Stavebni Zavody -- CszS). During 1950, the CszS was divided according to four specialized national corporations, several regional enterprises, and a special machinery pool. The specialized construction corporations were Posista, for the construction of airfields and highways; Baraba, for the construction of railroads and tunnels; and Konstruktiva, for the construction of waterworks and dams. 58/ Posista and Konstruktiva engaged actively in military construction, and three other building concerns were given military construction work. These three are Moravostav, Stavoprojekt, and Armastav. 59/ Late in 1950, Armastav was placed under the Ministry of National Defense.

Since 1950 certain additional changes apparently have been made. In addition to the specialized corporations listed above there are other specialized corporations for specific functional jobs such as Czechoslovak Building Enterprises for Earth Works (CS Stavebni Zavody Pro Inzenyrske Stavby). 60/

a. Structure.

The present organization of the Ministry of the Construction Industry includes three types of divisions, the area divisions, the functional divisions including a machinery pool, and the special types of construction divisions. It may well be that the internal organizations of the Ministry reflect these three divisions, but no recent information is available to confirm this assumption. The specialized types of construction divisions, and the functional divisions are concerned exclusively with carrying out of construction projects. Apparently the area divisions or district directorates are responsible both for carrying out construction projects on the one hand and for determining the need for construction projects on the other. In the determination of what construction projects are to be done, the district directorates have designing departments and planning departments which, together with the District Economic Department of the Communist Party, determine what projects are to be done within their districts and the priorities to be assigned to projects. The planning departments are expected to make their determinations within the scope of plans from the State Planning Office. The Communist Party District Economic Departments see to it that construction plans adopted are in accordance with top Communist Party Policy directives. 61/

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b. Personnel.

Emanuel Slechta may be considered one of the most competent economic ministers for the job assigned to him. He has had long and varied experience in the operation of the Czechoslovak government. In 1933, at the age of 38, he was a member of the Board of the Ministry of Posts and Telegraph, and an adviser to the Ministry of Railways and the Ministry of Public Works. In Czechoslovakia he was known as a competent economist. In December 1947, Slechta was a delegate to the Economic and Social Council of the United Nations. On February 25, 1948, he was appointed Minister of Public Works. 62/ In 1949, he became Minister of Technology, and on 20 December 1950, he was appointed to his present position. He is also a member of the Wage Stabilization Commission. 63/ He is reported to insist on technical proficiency in the appointment of personnel to his Ministry. 64/

9. Ministry of Food Processing Industries.

Although the Ministry of Food Processing Industries was not directly mentioned in the announcements of ministerial reorganization, the General Directorates were abolished on 30 September 1951, thereby changing the organization of the Ministry of Food which had existed before that time. 65/ The abolished General Directorates in the Ministry of Food included the Czechoslovak Sugar and Chocolate Works; Czechoslovak Beer, Liquor, and Bottling Works; Czechoslovak Grain Mills; Czechoslovak Milk and Fat Works; Czechoslovak Meat Industry; the Regional Directorates of the Slovak Food Industry; and the Slovak Milk and Fat Works. In addition, there were several enterprises directly under the Ministry, such as the State Refrigerating and Freezing Enterprise, the State Tobacco Enterprise, and the State Salt Enterprise, which may be assumed to have become the responsibility of the new Ministry. Thus all food processing enterprises such as breweries, dairies, bakeries, meat packers, canneries, and others are under the direction and control of the Ministry.

a. Structure.

The organization of the Ministry of Food Processing Industries probably reflects the five former General Directorates, although it is possible that bureaus have taken the place of the abolished General Directorates. It is certain that the multitude of State Enterprises in the food industry do not all report directly to the Minister. In the distillery field alone there were about 200

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State Enterprises which directed production in more than 800 distilleries and liquor factories. 66/ The recent reorganization probably has not affected these lower echelons of the organization.

b. Personnel.

The Minister of Food Processing Industries is Ludmila Jankovcova, who was appointed 21 December 1950, when the new organization was established. 67/ She was a left-wing Social Democrat, and was elected a deputy. On 25 November 1947 she was appointed Minister of Industry, the first woman minister in the Czechoslovak government. In 1948 she was transferred to the Ministry of Food, which became the Ministry of Food Processing Industries in 1950. 68/

10. Ministry of State Control.

The Ministry of State Control is one of the newer ministries of the Czechoslovak government. It was set up in the reorganization of 7 September 1951. 69/ This reorganization emphasized political reliability rather than technical competence, and gave greater responsibility to plant managers.

The Ministry of State Control was to develop direct and regular contacts with local governments, trade unions, and other mass organizations, and was to use all direct links with the masses of the workers. It was frankly stated that in the development of this Ministry full use was made of the experiences of the USSR. 70/ It is to be expected, therefore, that this Ministry will partake to some extent of the nature of the Soviet agency of a similar name.

Three general functions have been assigned to the Ministry of State Control: (1) to expose the causes of shortcomings, (2) to prosecute those responsible for all deficiencies and shortcomings, and (3) to help in the re-education of the people as members of a socialist state. 71/

The Ministry of State Control is also responsible for the State Auditor's Office and the Supreme Audit Court of Slovakia (also called the Administrative tribunal of Bratislava). In addition it took over all special investigations of economic matters and set up a Complaints Department which maintains close liaison with the Trade Unions, the Communist Party, and other organizations for the control of public opinion. 72/

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The State Auditor's Office undoubtedly continues to function much as it did before the reorganization. The difference in its present operations, most likely, is that it not only audits accounts in terms of money, but also audits quantitative material accounts and property accounts. It probably has increased powers for prescribing forms, systems, and procedures for fund and materials accounting, for prescribing principles and standards of accounting for property, and for cooperating with the Minister of State Control in the development of accounting systems. Rendering legal decisions and judgments concerning irregularities and deficiencies turned up in the auditing process is probably a growing job, although the basic function remains the same.

Although little recent intelligence has been received regarding the details of the investigative functions of the Ministry of State Control, it is possible to state the approximate functions by an analysis of pre-1948 functions of control-type investigative agencies, by an analysis of the investigative function of the Soviet Control Agency, and by an analysis of the requirements of the Czechoslovak Communist economy for this type of activity. The Special Investigations Department apparently investigates the disbursement, application, economy, and efficiency in expenditures of funds and materials and other resources in production. Investigative functions of determining the adequacy and effectiveness of ministerial methods of business, inspection, and control over the uses of funds, materials and other resources most likely are lodged in this agency. Finally the Special Investigations Department has the function of making a thorough study of trouble spots turned up by the Complaints Department, the Communist Party, or the Council of Ministers.

The Complaints Department receives and reviews complaints from workers, party members, or others concerning uneconomic management, waste of financial resources, and failure by any person or economic unit to observe the government's economic legislation and policies. <sup>73/</sup> It also probably acts as the administrative channel for the Control Commission of the Communist Party. Complaints which are deemed valid require an explanation from the individual or ministry concerned, and the Complaints Department probably processes these explanations. <sup>74/</sup> Serious cases, and those for which no acceptable explanation is given, are turned over to the other appropriate parts of the Ministry of State Control for further investigation and in some cases for prosecution.

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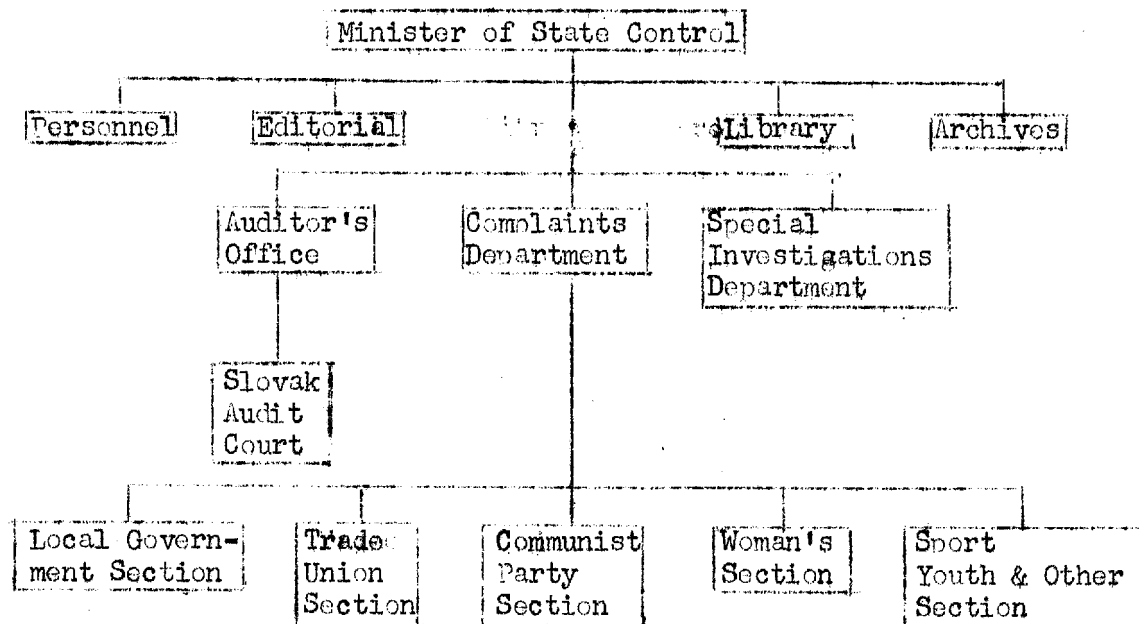
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a. Structure.

Little information beyond a few news items is available on the organizational structure of the Ministry of State Control. Figure 4, therefore, represents largely an approximation of what is believed to be the structure of this Ministry.

Figure 4

Possible Structure of the Ministry of State Control



The Ministry of State Control was heralded at first as a very important super-ministry. Probably this interpretation developed from some confusion between this agency and the Economic Section of the Council of Ministers, which was set up at about the same time. Additional weight was given to the super-ministry interpretation by certain comparisons between government agencies of a similar name in the USSR and in the other Satellites, which had considerable importance in consolidating the position of the regimes in power.

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In Czechoslovakia, however, the Ministry of State Control does not seem to be an important policy making body nor an important agency for the direction of production or the consolidation of Gottwald's position. In terms of honors accorded its top officers, it ranks well below the Ministry of Security, the Ministry of National Defense, and the State Planning Office. A relatively unknown person was first appointed Minister, and when he became better known he was transferred to the Ministry of National Defense. The second Minister is even less well-known than was the first, and has not held top positions in the Communist Party until recently.

The relative position of the Ministry of State Control is probably best understood by comparing it with the position of the General Accounting Office in the US. It probably is more important than an auditing office in a non-Communist country because of the broader scope of government economic activity in Czechoslovakia. Its control functions lie in the area of checking up on actions taken, rather than on the formulation of policies or operating activity. It should not, therefore, be considered a super-ministry, but rather a necessary and useful arm of government to insure compliance with Communist Party objectives.

b. Personnel.

Little is known of the personnel of the Ministry of State Control. It is known that Karol Bacilek was Minister of State Control from 7 September 1951 until 23 January 1952. 75/ At the time he was appointed, Bacilek was not among the current top-rung Communists in Czechoslovakia, although he was known in Slovakia, since he had held the posts of Commissioner on the Slovak Board of Commissioners and Commissioner of Information for Slovakia.. 76/

Jan Harus was appointed to be Minister of State Control on 23 January 1952. 77/ Jan Harus has been a deputy in the National Assembly for more than 4 years. 78/ At a meeting of the Presidium of the Communist Party on 6 December 1951 he was elected chairman of a new Communist Party Control Commission. 79/ Although he is not known to have held any other important positions in the Communist Party at the time he was appointed, he has been reported to be a Communist for many years. In 1938 he left Czechoslovakia for the USSR, and he returned in 1945. 80/ This sojourn in the USSR may imply his closeness to the Soviet

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regime and may be considered one reason for the trust placed in him by authorities in Moscow.

Bohumil Kubat was reported to be a Deputy Minister of State Control in January 1952, 81/ He is not listed in CIA biographic files and is not believed to be well-known in Czechoslovakia.

Other members of the Communist Party Control Commission may also participate in some activities of the Ministry of State Control. These members were all appointed at the time the new Communist Party Control Commission was set up: Josef Jonas, Oldrich Ruzicka, Ludovit Benada, Eduard Tumas, Frantisek Portkat, and Josef Svoboda. 82/

V. Strengths and Weaknesses.

1. Elements of Strength.

The limitations of the available information restricted this report largely to the application of Soviet procedures to the problem of running the Czechoslovak economy. Theory and practice are often in conflict. The ideological objectives seem to be uppermost. As the practical difficulties are dealt with, the operational picture is expected to be revealed.

In theory at least, the basic organizational structure of the Czechoslovak economy appears to be soundly conceived. The various departments cover what appear to be homogeneous segments of the economy and each organ is an integral unit in itself. No area of economic activity is omitted. Long-term targets are established, and annual planning with quarterly supplements makes possible working adjustments in the long-term program. The control of the program by the Communist Party insures constancy of purpose and continuity of the program.

2. Elements of Weakness.

In the planning process the greatest weakness appears to be the constant modification of targets to meet Soviet objectives. Plans must be approved by Moscow before adoption by the Czechoslovak Council of Ministers. These modifications imply that the plans are not adapted to the Czechoslovak economy, but rather to the economy of the Soviet Bloc. Consequently, until complete integration is attained in the Bloc, Czechoslovak planning will

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increase rather than decrease problems of imbalances in the economy, both in materials as well as in financial allotments. Because of the directed emphasis upon the expansion of heavy industry, the scope of these problems of imbalances will increase rather than diminish.

A second element of weakness lies in the inherent tendency for the national planning process to create an administrative hierarchy resulting in increased overhead. This problem is not limited to the increasing proportion of nonproductive labor, but affects individual plants through the requirement for an increasing number of reports. For example, one textile manager complained about the multiplicity of reports which his plant was required to send to five different ministries. 83/

The emphasis on the overfulfillment of goals creates another weakness. This overemphasis on output leads to inaccurate reporting and the tendency for responsible administrators to "protect themselves" by adhering strictly to the letter rather than the intent of the directive. This "paper performance" and the tendency to "play it safe" on the part of plant managers create further imbalances which ultimately affect the civilian economy. 84/

In addition, Soviet suspicion of Czechoslovak planning has generated confusion in the planning process. Members of the Central Planning Board have been criticized for their independent nationalistic attitudes. 85/ As a result it appears that the implementation of the economic plan may not always be based on the over-all objectives dictated by the USSR. This situation leads to further confusion by the tendency on the part of Soviet advisers in Czechoslovakia to by-pass the Central Planning Board by issuing directives on their own initiative in order to implement their immediate objectives. 86/

Another element of weakness is the need for a continued build-up of new motivations and incentives for the dwindling rewards to labor for work effort. Present incentives lose their effect, particularly when tied in with ever-increasing norms. The lag in coal and steel production, for example, apparently is caused in part by poor worker-response to the motivations of shockworker honors on the one hand and fear of arrest on the other. 87/

Obviously, another major weakness is the lack of coordina-

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tion between the various economic ministries and the duplication of effort resulting therefrom. The serious nature of this problem is suspected by the Czechoslovak government, and apparently, some organizational changes seem to confirm this suspicion. Until more information has been developed with reference to operating procedures within the various ministries, however, it will not be possible to expose this weakness in detail.

VI. Soviet Penetration and Control of the Czechoslovak Economy.

1. Soviet Economic and Commercial Mission.

The Soviet Economic and Commercial Mission attached to the Soviet Embassy in Prague is the official Soviet representation in Czechoslovakia, with a branch office for Slovakia at the Soviet Consulate General in Bratislava. 88/ Numerous Soviet factory assistance groups and technical aid groups report directly to the Mission. The formality of a Czechoslovak request for aid is usually observed. The Soviet aid groups and technicians are on the payrolls of the various enterprises to which they are assigned. Through these groups, the Soviets receive reports on the fulfillment of planned production in the plants.

The Soviet Economic and Commercial Mission intervenes at the top levels through liaison with economic ministers and through Soviet experts assigned to the ministries. 89/ It intervenes at the State Enterprise level through advisors to appropriate Czechoslovak industrial officers, and at the plant level through the technical aid groups. 90/ Since the main objective of this Soviet Mission is to control and maximize Czechoslovak production in the interests of the USSR, intervention is usually directed to changes in production plans to increase production and the rate of production per worker. Although there is no requirement that the Czechoslovaks must accept these suggestions, in practice, however, they always do so. In effect, the Soviet Economic and Commercial Mission has become the managing agency of much of Czechoslovak production. 91/

2. Soviet Military Mission.

The Soviets also control the Czechoslovak economy through the Czechoslovak military apparatus which is dominated by the Soviet Military Mission. The presence of the Soviet armed forces has strengthened Soviet military influence to such an extent that anyone in the Czechoslovak military establishment will be removed

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at Soviet suggestion. Formal official relations are maintained between the Soviet Military Mission and the Ministry of National Defense and other Czechoslovak authorities through so-called army protocol. The Soviet Mission has Czechoslovak liaison officers at its disposal, and has contact with the office of the President through the Presidnet's personal military adviser, General Satorie. Contacts with the Czechoslovak Communist Party are through the Military Secretary of the Central Committee of the Communist Party.

The Soviet Military Mission has four sections: (1) War Industries and Armaments, (2) Army Organization, (3) Army Political Education, and (4) Military Training.

The War Industries and Armaments Section has the greatest economic influence. "Special Sections" in Czechoslovak factories are set up to produce Soviet military equipment exclusively, and Soviet personnel are on hand ostensibly to assure that both the quantity and quality of production conform to USSR military specifications. At times, the Soviet technicians in administering the Special Sections take over the administration of the whole plant, although the top administrative positions are almost always filled by Czechoslovak nationals. The Czechoslovak arms industry has been reported to be under the full control of the USSR. 92/ The Soviet groups in the factories contain varying numbers of persons according to the size of the factory. The largest groups are in factories in Pargue, Kladno, Pilsen, and Brno. Permanent groups of Soviet special technicians are known to be in CKD\*-Sokolova, CKD-Stalingrad, Avia-Litnany, CKD-Slany, Stalin Works in Most, Ringhofer-Tatra, Skoda-Pilsen-Doudlevoce, Tatra-Kopriwnice, Zbrojovka-Brno, Zbrojovka-Strakonice, Explosia-Sentin, Ostrova-Vitkovice, Trinec, and Dvur Kralove Ironworks, and the Bratislava explosives plant.

The Army Organization Section has effected a complete reorganization of the Czechoslovak Ministry of National Defense and of the Czechoslovak army. Soviet influence caused the removal of General Svoboda as Minister of National Defense, and also the removal of General Reicin. All top posts in the army are now held by persons who are fully acceptable to the USSR. The knowledge that the Soviets can remove any person who does not measure up to Soviet standards is a powerful influence on Czechoslovak decisions involving war production.

\* Cesko Kolben Danek.

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The Army Political Education Section works closely with the Czechoslovak Communist Party in directing political training in the army. It has relatively little economic effect, except in withdrawing various facilities from civilian use in order to make them available for purposes of military education.

3. Trade Treaties.

Trade treaties have also been used by the USSR to dominate the Czechoslovak economy. Since 1948, the Czechoslovak economy has been more and more oriented toward the USSR, and exports to the West have been progressively limited to cover only necessary imports of raw materials and to assure a reserve of foreign exchange. This orientation toward the East has resulted in a dependence upon the USSR for increasing amounts of raw materials and basic food commodities. Since the USSR can fix prices and delivery quotas, and since Czechoslovak trade with the USSR is of less importance to the Soviets than it is to the Czechoslovaks, the Soviets can set the terms of trade almost at will. The trade agreement of 1950, for example, provides for substantial Soviet control over the Czechoslovak economy. 93/

Czechoslovak trade with the other Satellite countries is influenced both by directives from the USSR and directives from the Council of Economic Mutual Assistance. 94/ The ex-chairman of the Czechoslovak Chemical Board is reported to have said, "Shipments to Iron Curtain countries were made under instructions from Russia...." 95/ The Council of Economic Mutual Assistance can influence Czechoslovak trade in the West through a gold pool. Before Czechoslovakia can use this fund, the USSR must be asked for the release of foreign exchange. The bilateral inter-Bloc economic councils, such as the Polish-Czechoslovak Council, are responsible to the Council, and the Soviets also have direct influence over the Central Planning Board and the State Planning Office. Economic plans are worked out by Czechoslovak specialists and Communist Party leaders with leading Soviet officials who come to Prague for short visits. Soviet specialists are appointed to various parts of the State Planning Office. Before an economic plan is adopted, furthermore, it is presented to officials in Moscow for approval and frequently is revised at length in Moscow. During 1950, for example, the Czechoslovak Minister of Planning, Jaromir Dolansky, is reported to have spent 2 months in Moscow preparing the 1951 Plan. Soviet orders concerning plan fulfillment reportedly are relayed to the Czechoslovaks through the Soviet Ambassador in Prague. 96/

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4. Coordination of Internal Security Agencies.

The ability of the Soviets to detect and effect the removal of "unsympathetic" personnel from their positions and even to request their arrest and trial is secured largely through the control and influence of the Soviets on the Czechoslovak internal security apparatus. A covert Soviet Security Mission is stationed in Czechoslovakia and takes an active part in the Czechoslovak internal security apparatus. In fact, the Soviet Security Mission provided the impetus for the formation of a separate Czechoslovak Ministry of National Security. There are no written agreements covering the relationship between the Soviet Security Mission and the Czechoslovak Ministry of National Security. Soviet security agents work independently of the Czechoslovak government and are stationed in Bubenec as guests of the Office of the President, reporting only to the MVD in Moscow. Through this contact with the Office of the President, the Soviet Security Mission exercises control over the Ministry of National Security and also over the major subdivisions of the National Security Corps. These relationships are illustrated in Figure 5,\* the organization chart of the Ministry of National Security and the Soviet Security Mission.

\* Figure 5 follows on p. 33.

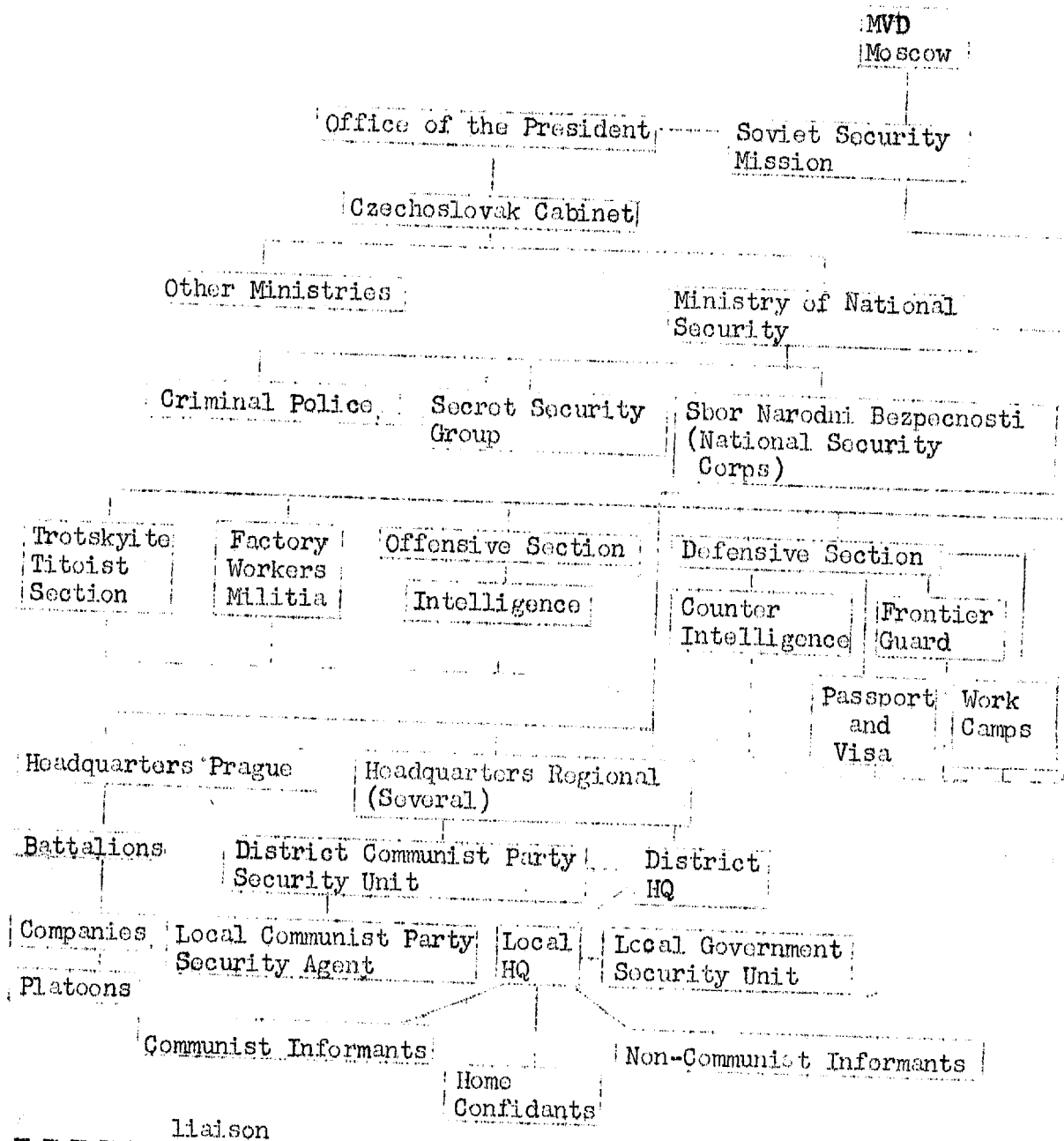
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Figure 5

Ministry of National Security and Soviet Security Mission 97/  
November 1951



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APPENDIX A

GAPS IN INTELLIGENCE

In the reporting of information on the Czechoslovak administrative organization, the basic source of the data was usually official documents or reports taken from official documents. Practically no information was available on actual operating procedures. Consequently, it was impossible to prepare a flow chart of procedures for the planning processes, for the dissemination of the Plan documents, for the allocation of the materials required in the industrial process, or for the distribution of the manufactured products. This represents a major gap in the intelligence available on the functioning of the economic organization of Czechoslovak economy.

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APPENDIX B

METHODOLOGY

This report on the economic organization of Czechoslovakia was necessarily limited to the top administrative levels of some of the more important ministries, to the role of the Communist Party, and to the extent of Soviet penetration and control of the Czechoslovak economy. All information available from CIA sources and other IAC agencies was exploited. An effort was made by the usual research processes of comparison, analysis, and interpretation to present a reasonable exposition of the operation of the economy. The paucity of the information presented greater difficulties than the analysis or interpretation of the data. The processes employed involved the use of the customary tools of research -- collection, enumeration, analysis, and interpretation.

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APPENDIX C

SOURCES AND EVALUATION OF SOURCES

1. Evaluation of Sources.

In the preparation of this report, the basic reference materials used included CIA Library documents, State Department reports, the Biographical Register, and the Industrial Register. Generally, information based on official Czechoslovak bulletins and reports were accepted at face value, although it was realized that a great difference existed between the official interpretation of a directive and the actual implementation of it. Also, information confirmed by one or more sources was generally regarded as probably true. In some instances, reports from untested sources were accepted if they appeared to be reasonable and were not refuted by other information. Difficulties encountered because of the lack of information were greater than those caused by inaccuracies or misleading statements on the part of the various sources from which the information was obtained.

2. Sources.

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1. CIA RT-1083-50 (SI-734) p. 5.
2. Czechoslovak Constitution of 1948, Article VII.

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17. Ibid.
  18. Ibid.

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